



19th June 2020

It's been a week of webinars, hope for further relief from level 3 lockdown and icy weather. With every day, we inch towards warmer and better times, but every step is a tough one and takes true grit – something we have in abundance in our tourism industry, especially as we stand together.

With that as our North Star, we have been advocating, from the outset, for a fair and socially responsible approach from Insurers for our entire industry. To that end, we've been working with the Financial Intermediaries Association (FIA) and are part of their newly formed Covid-19 task team which has lobbied the Financial Services Conduct Authority (FSCA), who are the market conduct regulator of financial institutions, including Insurers.

If you attended SATSA's webinar this week on '[Unpacking Business Interruption](#)', you will have heard Financial Intermediaries Association CEO Lizelle van der Merwe discuss the key objectives that this team has set out to address:

- A fair and reasonable approach to claims that are covered in terms of policy wording
- A responsible response to Covid-19
- Prompt resolution to all claims submitted and resultant matters and disputes
- Fairness regarding Cancellations of Bookings cover where cover was cancelled mid-term

The primary aim has been to impress upon the FSCA the impact of Covid-19 on the tourism sector and the need for critical, urgent action. Insurers' behaviour towards the onerous burden of proof was a major part of the considerations put forward in our interactions with the FIA.

We are pleased to say that the FSCA acted swiftly and has issued a Directive this morning, which we are unpacking as we speak and will advise our customers, and the wider industry, on what this means for them.

Following analysis of Insurers' policy wordings, the FSCA has outlined six broad categories and determined whether the requirements for each are fair and reasonable:

1. Radius and Notification
2. Radius
3. Notifiable Disease
4. General Exclusion
5. Closure or Restriction
6. Closure by Order

Notably, for policy wordings that fall under the (1) Radius and Notification, (2) Radius, and (3) Notifiable Disease categories, it states that the burden placed by Insurers' on policyholders to prove the existence of the particular contagious disease within the specified radius of the insured's business premises

is onerous. The FSCA believes that sufficient proof would be the closure of a major facility such as a hospital or large retail store. The FSCA believes that BI claims instituted with Insurers falling within these categories should be paid by Insurers, as long as the outbreak within the radius and the resulting interruption of business can be proven.

Policy wording under the (4) General Exclusion category clearly excludes the closure of the business as a result of the government lockdown, and thus, the FSCA does not have a sound basis to direct Insurers to pay any BI claims due to the clear exclusion.

Finally, for the categories (5) Closure or Restriction and (6) Closure by Order, the Directive states that the trigger for a valid claim is the contagious disease at the business premises of a policyholder and not the government lockdown. Therefore, in the absence of proof that the Insured's business was interrupted by the presence of Covid-19 at the premises, there is not a valid claim.

It calls on Insurers to re-evaluate the burden of proof they are placing on the Insured, consider reasonable and practical alternatives to satisfy the burden of proof, and assist policyholders in obtaining the proof itself, especially where such information is not in the public domain and easily accessible.

The ramifications for the industry as a result of this Directive, and the FSCA's request for Insurers to act accordingly, will be significant. However, despite this clarity on various issues, there are still aspects relating to individual policy wordings and risks that need to be worked through in more detail. We will pursue these to the fullest, endeavour to answer all your queries, and continue in our negotiations with Insurers to ensure we steer your claims to fall in line with the FSCA's view.

You can read the communication in full [here](#).

Kind regards,

A handwritten signature in black ink that reads "Dewald Cillie".

SATIB Insurance Brokers, Executive Head - SATIB